



Department of the Treasury  
Internal Revenue Service

# Instructions for Form 2553

(Revised April 1988)

## Election by a Small Business Corporation

*(Section references are to the Internal Revenue Code unless otherwise specified.)*

**Paperwork Reduction Act Notice.**—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to insure that you are complying with these laws and to allow us to figure and

establishes a business purpose to the satisfaction of the I.R.S. See the instructions for Part II for details on making a section 444 election.

proof of filing is: (1) certified receipt (timely filed); (2) Form 2553 with accepted stamp; (3) Form 2553 with stamped IRS received date; or (4) IRS letter stating that Form 2553 had been accepted.

**F. End of Election.**—Once the election is made, it stays in effect for all years until it is terminated. During the 5 years after the election has been terminated under section 1362(d), the corporation can make another election on Form 2553 only if the Commissioner consents. See section 1362(g) and Revenue Ruling 86-141, 1986-2 C.B. 151, for more information. See sections 1362(d), (e), and (f) for rules regarding termination of election.

**G. User Fee.**—Corporations filing Form 2553 and requesting a fiscal year under section 6.02 of Revenue Procedure 87-20

a new corporation starts when it has shareholders, acquires assets, or begins doing business, whichever happens first. If the effective date for item D for a newly formed corporation is later than the date in item H, the corporation should file Form 1120, or Form 1120A, for the tax period between these dates.

**I. Selected Tax Year.**—If a corporation selects a tax year ending other than December 31 (but excluding a 52-53-week tax year with reference to the month of December), the corporation must complete Part II in addition to Part I.

Temporary Regulations section 1.441-2T(e)(3) grants automatic approval to the S corporation to use a 52-53-week tax year with reference to the month of December.

**Column K—Shareholders' Consent Statement.**—Each shareholder who owns (or is deemed to own) stock at the time the election is made must consent to the election. If the election is made during the corporation's first tax year for which it is effective, any person who held stock at any time during the portion of that year which occurs before the time the election is made, must consent to the election although the person may have sold or transferred his or her stock before the election is made. Each shareholder consents by signing and dating in column K or signing and dating a separate consent statement described below. If stock is owned by a trust that is a qualified shareholder, the deemed owner of the trust must consent. See section 1361(c)(2) for details regarding qualified trusts that may be shareholders and rules on determining who is the deemed owner of the trust.

An election made during the first 2½ months of the tax year is considered made for the following tax year if one or more of the persons who held stock in the corporation during such tax year and before the election was made did not consent to the election. See section 1362(b)(2).

If a husband and wife have a community interest in the stock or in the income from it, both must consent. Each tenant in common, joint tenant, and tenant by the entirety also must consent.

A minor's consent is made by the minor or the legal guardian.

**Continuation Sheet or Separate Consent Statement.**—If you need a continuation sheet or use a separate consent statement, attach it to Form 2553. The separate consent statement must contain the name, address, and employer identification number of the corporation and the shareholder information requested in columns J through N of Part I.

If you wish, you may combine all the shareholders' consents in one statement.

**Column L.**—Enter the number of shares of stock each shareholder owns and the dates the stock was acquired. If the election is made during the corporation's first tax year for which it is effective, do not list the shares of stock for those shareholders who sold or transferred all of their stock before the election was made but who still must consent to the election for it to be effective for the tax year.

**Column M.**—Enter the social security number for shareholders that are individuals. Enter the employer

identification number for estates. Enter the social security number or employer identification number for shareholders that are qualified trusts. The deemed owners of qualified trusts make the consent in column K. Enter the social security number or employer identification number of the deemed owner of the trust in column M.

**Column N.**—Enter the month and day that each shareholder's tax year ends. If a shareholder is changing his or her tax year, enter the tax year the shareholder is changing to. If the election is made during the corporation's first tax year for which it is effective, you do not have to enter the tax year of shareholders who sold or transferred all of their stock before the election was made but who still must consent to the election for it to be effective for the tax year.

**Signature.**—Form 2553 must be signed by the president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) authorized to sign.

## Part II

**Item O.**—Item O is completed by all corporations completing Part II.

**Item P.**—Item P is completed by a corporation that selects a fiscal year, and that qualifies under section 4.01(1) or 4.01(2) of Revenue Procedure 87-32, 1987-2 C.B. 396. In addition, if the corporation selects a fiscal year that qualifies under section 4.01(1), then it must attach a statement to Form 2553, showing the amount of gross receipts for the most recent 47 months (show each month separately) as required by section 4.03(3)(b) of the revenue procedure. Sections 4.01(1) and 4.01(2) provide for expeditious approval of certain corporations' requests to adopt, retain, or change to a fiscal year. The representation statements in Part II of Form 2553 highlight the requests provided for in section 4 of the revenue procedure. A corporation adopting, retaining, or changing its accounting period under the procedure must comply with all applicable conditions of the procedure.

**Form 1128, Application for Change in Accounting Period,** should not be used to request a tax year for or during the 1st year the corporation elects to be an S corporation.

**Item Q.**—Item Q is completed as follows:

(1) The corporation checks the 1st box to make a request as specified in section 6.03 of Revenue Procedure 87-32. Section 6.03 provides that if a corporation wants to adopt, retain, or change to a fiscal year described in section 4 or 5 of the procedure, it should attach a statement to Form 2553 pursuant to the ruling request requirements of Revenue Procedure 88-1, I.R.B. 1988-1, page 7. (Changes to this revenue procedure are usually incorporated annually into a new revenue procedure as the first revenue procedure of the year.) The statement must show the business purpose for the desired tax year. See Revenue Ruling 87-57, 1987-2 C.B. 117, for examples of business purpose.

(2) The corporation checks the 2nd box in item Q to show its intention to make a back-up section 444 election. The back-up section 444 election is made in addition to the request for a fiscal year based on business purpose. The back-up election applies in the event the IRS does not approve the corporation's request for a tax year based on business purpose. **Note:** *Under certain circumstances, the tax year requested under the section 444 back-up election may be different than the tax year requested under business purpose. See the instructions for Form 8716 for details on making a back-up section 444 election.*

(3) The corporation checks the 3rd box in item Q to make a calendar year back-up election. The calendar year back-up election applies if: (a) the corporation's business purpose request is denied or (b) the business purpose request was denied and the section 444 back-up election was made but later the corporation was not eligible to make the election. In certain cases, the corporation will not be eligible to make the section 444 election when it becomes a member of a tiered structure. **Caution:** *If the back-up calendar year election is not made and a fiscal tax year is not allowed under the other provisions of item Q, the corporation's election to be an S corporation is invalidated.*

**Item R.**—Item R is completed as follows:

(1) The corporation checks the 1st box in item R to show that it is making or intends to make the section 444 election. The corporation makes the election when filing Form 2553 by completing Form 8716 and attaching it to Form 2553. Form 8716 can also be completed and filed after Form 2553 is filed. See the instructions for Form 8716 for details on filing Form 8716.

(2) The corporation checks the 2nd box in item R to make a back-up calendar year election. **Caution:** *If the back-up calendar year election is not made and the corporation is not allowed to make a section 444 election or is allowed to make the section 444 election but does not make it, the corporation's election to be an S corporation is invalidated.*

If the corporation is not qualified to make the section 444 election after making the item Q section 444 back-up election or indicating its intention to make the election in item R, and therefore it later files a calendar year return, it should write "Section 444 Election Not Made" in the top left corner of the 1st calendar year Form 1120S it files.

**Part III.**—Certain Qualified Subchapter S Trusts (QSSTs) may make the QSST election required by section 1361(d)(2) in Part III of Form 2553. Part III may be used to make the QSST election only if: (a) corporate stock has been transferred to the trust on or before the date on which the corporation makes its election to be an S corporation, and (b) the QSST election and the Form 2553 election have the same effective date.

The deemed owner of the QSST must also consent to the S corporation election, column K, page 1, of Form 2553. See section 1361(c)(2).